

## Message Text

SECRET

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ACTION EA-09

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 EB-07 AID-05 OMB-01 IGA-01 TRSE-00 ACDA-05

MC-02 /071 W

----- 101489

O R 210047Z NOV 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 4006

SECDEF WASHDC IMMEDIATE

INFO JCS WASHDC

CSA WASHDC

CNO WASHDC

CSAF WASHDC

CMC WASHDVPI

CINCPAC HI

S E C R E T SECTION 1 OF 2 SEOUL 8979

JOINT EMBASSY/JUSMAG MESSAGE

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: MASS, KS

SUBJECT: FY 1976 AND 1977 MILITARY SECURITY

REF: (A) STATE 258224 DTG 310125Z OCT 75

(B) CINCPAC 010507Z NOV 75

(C) SEOUL 8760 DTG 140149Z NOV 75

(D) SEOUL 8802 DTG 140822Z NOV 75

(E) SEOUL 8814 DTG 140907Z NOV 75

SUMMARY: THIS MESSAGE PROVIDES MISSION RESPONSES TO THE SERIES  
OF QUESTIONS RE RECOMMENDED FMS CREDIT LEVELS POSED IN REFTEL A.  
END SUMMARY.

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1. THE FOLLOWING COMMENTS RESPOND TO THE TEN QUESTIONS CONCERNING FY 1976 AND 1977 RECOMMENDED FMS CREDIT LEVELS SET OUT IN REFTEL A, AND SHOULD BE READ IN CLOSE CONJUNCTION WITH THE MISSION'S DETAILED MILITARY, ECONOMIC, AND POLICY ANALYSES OF THE ROK FORCES IMPROVEMENT PLAN TRANSMITTED IN REFTELS C, D AND E:

A. THERE IS NO QUESTION THAT ROKG WILL ACCEPT AND CONSUMATE CREDIT ARRANGEMENTS FOR PROPOSED \$126 MILLION FOR FY 1976, IF CONGRESS APPROVES EXECUTIVE BRANCH REQUEST. VALID ROK FORCES MODERNIZATION REQUIREMENTS FAR EXCEED THE \$126 MILLION LEVEL AND ROKG WOULD GLADLY ACCEPT ANY ADDITIONAL CREDIT OFFERED. ROK NEED FOR FOREIGN EXCHANGE IS GREAT, AND REFLECTS THE "OIL SHOCK", THE RISE IN WORLD PRICES, THE RECESSION IN KOREA'S PRINCIPAL EXPORT MARKETS, AND THE NEED FOR FOREIGN BORROWING IN ORDER TO CONTINUE A HIGH RATE OF INVESTMENT AND RAPID ECONOMIC GROWTH.

B. THE ROKG AND COUNTRY TEAM ARE IN AGREEMENT ON MAJOR ITEMS TO BE PROCURED WITH ASSISTANCE OF PROPOSED FY 76 CREDIT. THE PROGRAMS INVOLVED AND THEIR SPECIFIC PROJECTED VALUE ARE LISTED BELOW:

| PROGRAM           | VALUE         | COMMENT                                                             |
|-------------------|---------------|---------------------------------------------------------------------|
| M16 PLANT         | \$5.5 MILLION | ON-GOING FMS CREDIT PROGRAM                                         |
| ARSENAL EXPANSION | \$3.6 MILLION | ROKG PLANS TO INCREASE IN-COUNTRY PRODUCTION OF MANY RAW MATERIALS, |
| TDE               |               | REDUCING FOREIGN EXCHANGE DRAW DOGSM \$8.2 MILLION.                 |
| AIM-9B/E/J MOD    | \$4.5 MILLION | ON-GOING FMS CREDIT PROGRAM.                                        |
| TOW               | \$2.5 MILLION | ON-GOING FMS CREDIT PROGRAM.                                        |
| CJ                |               |                                                                     |
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|                      |                |                              |
|----------------------|----------------|------------------------------|
| F-5B                 | \$3.7 MILLION  | ON-GOING FMS CREDIT PROGRAM. |
| IMPROVED HAWK        | \$24.8 MILLION | ON-GOING FMS CREDIT PROGRAM. |
| MISSILE MAINT. DEPOT | \$3.3 MILLION  | ON-GOING FMS CREDIT          |

PROGRAM.

RADIO CO-PRODUCTION \$16.4 MILLION ON-GOING FMS CREDIT  
PROGRAM.

PSMM ARMAMENT \$5.5 MILLION ON-GOING FMS CREDIT  
PROGRAM.

HARPOON \$13.4 MILLION CONGRESSIONAL APPROVAL  
OF SALE RECEIVED.

F-5E \$42.8 MILLION CONGRESSIONAL APPROVAL  
OF SALE RECEIVED.

TOTAL \$126. MILLION

INZEL C PROVIDES DETAILED INFORMATION CONCERNING THE  
MILITARY JUSTIFICATION FOR EACH OF THE ABOVE ITEMS, AND  
SHOWS HOW EACH FITS INTO THE COMPREHENSIVE PROGRAM FOR  
IMPROVEMENT OF ROK FORCES.

C. VISION OF CREDIT IS IN ACCORDANCE WITH U.S.  
JSOP GOALS AND OUR SECURITY ASSISTANCE OBJECT OF HELPING  
THE ROK TO DEFEND ITSELF AGAINST NORTH KOREAN ATTACK WITH  
DECREASING DEPENDENCE ON U.S. SUPPORT. IT IS ALSO CONSONANT  
WITH THE PRINCIPLE OF "COMPLEMENTARITY" STRESSED AT AND SINCE  
THE 8TH SCM, WHEREBY THE KOREANS WOULD CONCENTRATE ON  
CORRECTION OF GROUND FORCES AND BASIC AIR AND NAVAL  
VULNERABILITIES.

D. FMS CREDIT WILL BE THE KEY VEHICLE FOR ROK FORCES IMPROVEMENTS  
IN MUTUALLY-AGREED AREAS, AND WILL THUS GIVE THE U.S. GREATER  
FLEXIBILITY RE ITS OWN FORCE LEVELS, DISPOSITION, AND USE.

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E. GRANT AID FOR KOREA IS EXPECTED TO BE PHASED DOWN  
SHARPLY OVER THE NEXT TWO YEARS. CURRENT GRANT AID  
MATERIEL PROGRAMS ARE UTILIZED TO COMPLETE GRANT PROGRAMS  
ALREADY UNDERWAY, OR TO INITIATE AND COMPLETE LOW-VALUE  
PROGRAMS ESSENTIAL TO UPGRADE GRANT MATERIAL ON HAND.  
GRANT TRAINING IS DESIGNED TO IMPROVE ROK TECHNICAL  
PROFICIENCY IN MAINTAINING GRANT-PROVIDED MATERIEL, TO ASSIST  
IN THE TRANSFER OF EQUIPMENT FROM THE U.S. TO THE ROK, AND  
TO IMPROVE OVERALL ROK MANAGEMENT PROFICIENCY. WHILE  
ANTICIPATING PHASE DOWN ROKG EXPECTS SUBSTANTIAL AMOUNTS  
GRANT AID AT LEAST FOR NEXT TWO YEARS AND GIVEN LIGHT  
FORCE SITUATION AND DEMANDS OF FORCE IMPROVEMENT PLANS  
CONTINUING GRANT JUSTIFIABLE IN TERMS BOTH ROK AND U.S.  
INTERESTS. (SEE REF E)

FMS CREDIT PROGRAMS ARE HIGH-VALUE AND ON-GOING PROGRAMS  
VITAL FOR ROK FORCES MODERNIZATION. GIVEN ROK FORCES  
IMPROVEMENT REQUIREMENTS AND ANTICIPATED GRANT AID PHASE-  
DOWN, THE FOREIGN EXCHANGE SUPPORT PROVIDED THROUGH FMS  
CREDIT WILL BE ESSENTIAL TO THE ROKG IN THE NEXT FEW  
YEARS. (SEE REFTELS C AND E).  
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INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00

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MC-02 /071 W

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O R 210047Z NOV 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 4007

SECDEF WASHDC IMMEDIATE

INFO JCS WASHDC

CSA WASHDC

CNO WASHDC

CSAF WASHDC

CMC WASHDC

CINCPAC HI

S E C R E T SECTION 2 OF 2 SEOUL 8979

JOINT EMBASSY/JUSMAG MESSAGE

CINCPAC FOR POLAD

F. PROVISION OF FMS CREDIT ASSISTS IN MOVING ROK TOWARD  
BETTER SECURITY BALANCE WITH NORTH KOREA, THUS CONTRIBUTING TO  
OUR INTEREST IN MAINTENANCE OF OVERALL SECURITY AND STABILITY  
IN NORTHEAST ASIA. RELEVANT POLICY CONSIDERATIONS ARE EXAMINED  
AT LENGTH IN REFTEL E.

E. CREDIT SALES AT PROJECTED LEVELS WOULD NOT AFFECT REGIONAL ARMS BALANCE OR ACT AS STIMULANT TO ARMS RACE. REFTEL E SUPPORTS THESE POINTS IN DETAIL.

H. REFTELS C, D, AND E PROVIDE THOROUGHGOING DEMONSTRATION NEED FOR MILITARY CREDIT ASSISTANCE AND ROK ABILITY TO MANAGE CREDIT REPAYMENT.

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I. PROPOSED FY 1976 FMS CREDIT OF \$126 MILLION WILL NOT PLACE UNDUE BURDEN ON ROKG FOREIGN EXCHANGE RESOURCES. MOREOVER, AS OUTLINED REFTEL D, MISSION ANALYSIS SHOWS THAT ROK ECONOMY CAN HANDLE THE INCREASED CREDIT NEEDED IN FY 77 AND LATER YEARS TO IMPROVE ROK FORCES.

J. PARAGRAPH B ABOVE COVERS ON-GOING CREDIT PROGRAMS PROJECTED FOR COVERAGE WITHIN THE PROPOSED FY 79 CREDIT LEVEL. ROKG HAS ALSO REQUESTED P & A DATA ON NUMEROUS FORCES IMPROVEMENT PLAN (FIP) ITEMS IN PREPARATION FOR REQUESTING CREDIT LETTERS OF OFFER, FMS CASH, OR COMMERCIAL PURCHASE FROM U.S. ON-GOING U.S. CASH PURCHASE PROGRAMS WHICH WILL REQUIRE FOREIGN EXCHANGE EXPENDITURES INCLUDE THE AH-1J HELICOPTER, A-37B RETROGRADE AIRCRAFT, S-2E AIRCRAFT, AND VARIEGATED COMMUNICATIONS, TRAINING, AND SUPPORT EQUIPMENT. ADDITIONALLY, ALL O & M SALES INVOLVE FOREIGN EXCHANGE CASH TRANSACTIONS. THIRD COUNTRY PURCHASES HAVE BEEN LIMITED TO THE SWISS OERLIKON AAA GUNS, WHEN THE U.S. COULD NOT OFFER COMPARABLE EQUIPMENT, AND THE FRENCH EXOCET MISSILE, WHEN THE U.S. COULD NOT PROVIDE HARPOON ON A TIMELY BASIS. ROKG PREFERENCE IS FOR U.S. EQUIPMENT AND SUPPORT, AND KOREANS HAVE TOLD US THAT THEY WILL PROCURE FROM U.S. WHENEVER POSSIBLE, ASSURING PRIOR CONSULTATION WITH US WHEN THIRD COUNTRY PURCHASES ARE UNDER CONSIDERATION.

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## Message Attributes

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**Draft Date:** 21 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JUL 2003  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** FY 1976 AND 197T MILITARY SECURITY  
**TAGS:** MASS, KS, US  
**To:** STATE DOD  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006